

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 6241**

**BILL NUMBER:** HB 1025

**NOTE PREPARED:** Feb 2, 2006

**BILL AMENDED:** Feb 1, 2006

**SUBJECT:** Innkeeper's Taxes.

**FIRST AUTHOR:** Rep. Smith J

**FIRST SPONSOR:**

**BILL STATUS:** As Passed House

**FUNDS AFFECTED:**     **GENERAL**  
                              **DEDICATED**  
                              **FEDERAL**

**IMPACT:** Local

**Summary of Legislation:** *Howard County Innkeeper's Tax*- The bill removes the restriction that the maximum rate of the Howard County Innkeeper's Tax must decrease from 5% to 4% after June 30, 2007, allowing the current maximum rate of 5% to continue without a time limit.

*Tippecanoe County Innkeeper's Tax*- The bill extends the period of time from December, 2006, to December, 2014, that a share of Tippecanoe County Innkeeper's Tax revenue must be distributed as a grant to a nonprofit corporation that leases land in Tippecanoe River State Park for the nonprofit corporation's use in noncapital projects in Tippecanoe River State Park.

**Effective Date:** July 1, 2006.

**Explanation of State Expenditures:**

**Explanation of State Revenues:**

**Explanation of Local Expenditures:** *Howard County Innkeeper's Tax*- Revenue from the Howard County Innkeeper's Tax is currently used for convention and visitor promotions.

*Tippecanoe County Innkeeper's Tax*- See Explanation of Local Revenues.

**Explanation of Local Revenues:** (Revised) *Howard County Innkeeper's Tax*- Howard County could average approximately \$100,000 more per year in revenue with an innkeeper's tax rate of 5% instead of 4%. The

estimate assumes a growth rate in tax revenue of 2.7% per year.

*Background Information:* Howard County collected \$477,787 in innkeeper's tax revenue at a rate of 5% in FY 2005. The average annualized growth rate in the Howard County tax from FY 1998 to FY 2005 is 2.7%.

*Tippecanoe County Innkeeper's Tax-* Under current law, 40% of the Greater Lafayette Community Development Corporation's (CDC) share of innkeeper's tax revenue is distributed as a grant for land lease by a non-profit corporation in the Tippecanoe River State Park (TRSP.)

The CDC land lease grant is set to expire after December 2006 under current law. The bill would extend this grant by eight years to December 2014.

*Background Information:* Half of Tippecanoe County's innkeeper's tax revenue goes into a special account. Twenty-five percent of the revenue deposited in the special account goes to the CDC, which serves Lafayette and West Lafayette. Forty percent of the CDC amount is then used as described above.

Tippecanoe County's Innkeeper's tax generated approximately \$1.5 M in revenue for FY 2005. Half of the \$1.5 M would be about \$0.75 M. Twenty-five percent of the \$0.75 M would leave approximately \$187,500 for the CDC. Forty percent of the CDC amount would have been approximately **\$75,000** (\$187,500 X .40) in FY 2005.

**State Agencies Affected:**

**Local Agencies Affected:** Howard County; Tippecanoe County.

**Information Sources:** Howard County Auditor's Office; *Indiana Handbook of Taxes, Revenues, and Appropriations*.

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